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HART SCHAFFNER & MARX ANNUAL REPORT FOR 1964







## Highlights

	YEAR ENDED NOVEMBER 30	
	1964	1963
<b>OPERATING</b>		
Net Sales.....	\$143,621,000	\$126,023,000
Income Before Taxes.....	10,516,000	8,089,000
Net Income.....	5,255,000	3,916,000
Cash Dividends.....	1,988,000	1,690,000
Per Share of Stock.....		
Number of shares.....	1,349,767	1,308,449
Earnings.....	3.89	2.99
Dividends.....	1.60*	1.40*
<b>FINANCIAL</b>		
Working Capital.....	51,510,000	48,505,000
Additions to Property and Equipment....	2,384,000	1,610,000
Depreciation.....	1,856,000	1,895,000
Long-term Debt.....	12,780,000	13,312,000
Stockholders' Equity.....	51,470,000	47,167,000
Stockholders' Equity Per Share.....	38.13	36.05
<b>OTHER</b>		
Number of Employees.....	9,700	9,500
Number of Shareholders.....	2,800	2,500
Number of Retail Stores.....	110	101

*\*Exclusive of dividends paid by Hickey-Freeman Co. prior to acquisition.*

*ON THE COVER: Ken Venturi, winner of the 1964 National Open Golf Tournament and one of the celebrities to be seen in Hart Schaffner & Marx' national magazine advertising program for Spring and Summer 1965.*





### *To Our Shareholders:*

**H**art Schaffner & Marx has just completed another notable year. Record earnings and record sales were achieved, and the Company announced plans for a seventh annual increase in dividends.

Earnings were the highest in the history of your Company: \$5,255,000 compared with \$3,916,000 in 1963, or a 34 per cent increase. Per-share earnings also established a new record: \$3.89 compared with \$2.99 in 1963.

The new sales record was the sixth in as many years. Sales for 1964 were \$143,621,000—a 14 per cent increase over 1963 sales of \$126,023,000.

One of the most important developments during the year was the acquisition of the Hickey-Freeman Co. of Rochester, New York, on a pooling-of-interests basis. The affiliation with this fine company links four of the best known and most respected labels in the men's wear industry—Hart Schaffner & Marx and Society Brand with Hickey-Freeman and Walter-Morton. The consolidated figures reported above include the Hickey-Freeman Co. for both 1964 and 1963. However, both 1964 earnings and sales, before inclusion of the Hickey-Freeman figures, were a record on their own.

On December 17, 1964, the directors voted a two-for-one split of the common

stock, subject to your approval at the annual meeting in New York on March 22, 1965. The directors also indicated it is their intention to increase the initial quarterly dividend after the split to 22½ cents, or 90 cents on an annual basis, which is equivalent to \$1.80 on the present stock. The new rate would be an increase of 12½ per cent over the current \$1.60 annual rate.

Shareholders also will be asked to approve an increase in authorized shares from the present figure of 2 million to 7½ million to provide for the split and for future corporate requirements. Par value would be reduced to \$2.50 a share from the present \$5.00 a share.

The economy was strong throughout 1964 and there was increased consumer buying of better quality merchandise. This favorable business climate plus vigorous sales and marketing programs and the careful control of costs in all divisions were primarily responsible for your Company's progress during the year.

Another prosperous year is expected for Hart Schaffner & Marx in 1965 unless there is an unfavorable change in the general economy of our country. Hart Schaffner & Marx, Society Brand and Hickey-Freeman advance orders for Spring/Summer 1965 are the largest in history.

In the retail division, 13 new stores



were opened or acquired since the last Annual Report was issued, making 1964 a year of exceptional growth in this area. Your Company now operates 110 quality stores in 44 metropolitan areas. Among the new stores acquired during the year were three owned by the Hickey-Freeman Co. They are Capper & Capper, Ltd., of Chicago and Detroit and F.R. Tripler & Co., Inc., of New York. Eight additional stores are under lease or construction, and further expansion of the retail division is planned.

Sales of our brand name products to independently owned and operated specialty and department stores have been increasing as rapidly as sales to our own expanding group of retail stores. The greater portion of our total production continues to be distributed by these independent dealers. Many new dealers were added in 1964 and your Company now serves 1700 specialty and department stores throughout the country. Many of these dealers have been customers for over 70 years and a substantial number have been associated with us for over 50 years. This relationship with our independent dealers is a source of pride and satisfaction to your Company.

At the December 17, 1964, Board of Directors meeting, two new directors were elected—Mr. Walter B. D. Hickey,

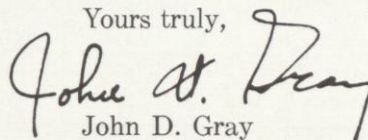
Sr., and Mr. Albert I. Freeman who are president and senior vice-president, respectively, of the Hickey-Freeman Co. We welcome these gentlemen to our board.

We were saddened by the death on March 14 of one of our directors, James Mount Nicely, who was vice president and treasurer of the Ford Foundation. In addition to serving as a valued director of Hart Schaffner & Marx since 1961, Mr. Nicely was a trustee of the Bank for Savings in the City of New York, a trustee of the University of Chicago, and treasurer and trustee of the Carnegie Endowment for International Peace.

Your Company was honored last summer at a special dedication of the U. S. Labor Department's new Hall of Honor in Washington. A plaque, which commemorated the over 50 years of harmonious relations between Hart Schaffner & Marx and the Amalgamated Clothing Workers of America, was unveiled by Secretary of Labor W. Willard Wirtz. Your Company and the Union were the first two organizations to be so honored.

Our record of growth and our progress reflects the dedicated efforts of the employees in all divisions of our Company. Your directors join me in expressing sincere appreciation to them for their splendid cooperation.

Yours truly,



John D. Gray

President





The manufacturing division, operating five factories at capacity throughout the year, further improved its efficiency through the completion of another phase of a modernization program, the installation of new equipment in many areas, and the development of new operating techniques.

Two pressing shops in the Jackson Boulevard plant in Chicago were completely modernized during the year. The program makes possible even finer quality pressing, increases the capacity of the shops, and offers greater personal comfort for employees. The installation of the new compact equipment also created additional space for another tailoring facility.

One of the more important pieces of new equipment was installed in the "sponging" department which inspects, pre-shrinks, and prepares fabrics for sewing. This equipment provides more exacting and efficient control of the processing of raw materials and improves permanence of shape in the finished garment. The installation typifies your Company's policy of blending meticulous hand tailoring where it is vital and irreplaceable with selected mechanized operations that prove superior. The sponging department also operates a testing laboratory which conducts exhaustive experiments to assure quality worthy of the Hart Schaffner & Marx and Society Brand labels. Fabrics are tested repeatedly to determine tensile

strength, quality uniformity of raw materials, and wearability as well as resistance to fading.

Your Company is taking steps to provide adequately for future production demands. It has developed plans for a new warehouse for the storage of garments pending shipment to dealers. This warehouse will provide from 85,000 to 100,000 square feet of space and will be air-conditioned throughout to assure greater quality control of stored clothing. Designed with an eye to future Company growth, the warehouse could accommodate 50 per cent more garments than the present facilities. The space currently devoted to warehousing in the Franklin Street building of the Company will be converted into additional manufacturing facilities.

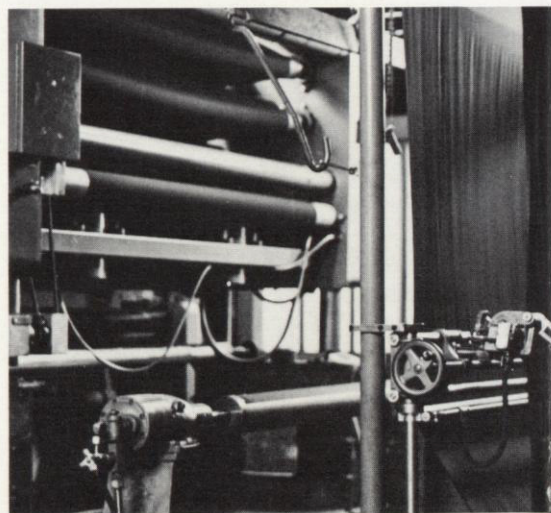
Advance planning and merchandising throughout the Company have made it possible to produce uniformly throughout the year, thereby reducing costs, improving manufacturing profits and adding annual capacity.

During the past year the college recruiting program was intensified and broadened to help Hart Schaffner & Marx obtain outstanding trainees for its management needs in the future.

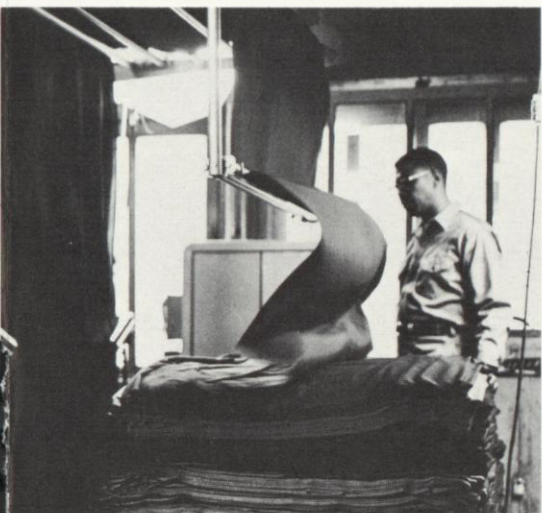
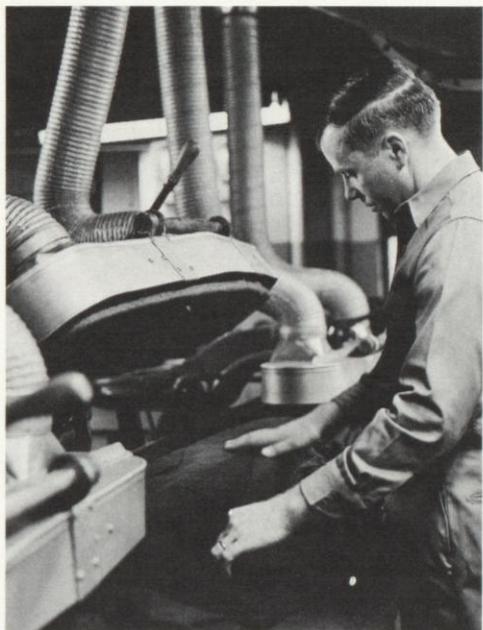
Your Company also initiated in its Rochester, Indiana, factory a specialized training program, an idea new to our industry and one whose purpose is to reduce the learning time for sewing and pressing operators from 10 weeks to five.

By the end of 1965, the program will be offered in all five of the Company's shops. Instructors and supervisors—all chosen from within Company ranks—will be trained by consulting engineers.

Throughout the manufacturing division, the Company maintains a select staff of quality supervisors to oversee every stage of tailoring—fabric inspection and processing, cutting, preparation of trimmings (linings, buttons and thread), sewing, and pressing. Garments are thoroughly checked at every phase of tailoring and are comprehensively reviewed after completion. The degree of inspection and examination is directly related to the standard of quality. This intangible but necessary ingredient is the vital key to the excellence for which our clothing is renowned.







*Top photograph: New compact pressing equipment increases productivity and quality. Below: New installation in "sponging" department improves the material processing and achieves the permanence of shape, style and expression typified in the suit at right.*





The Hart Schaffner & Marx family of independent dealers continued to grow during 1964 with many new accounts being added. Among the newcomers were Jordan-Marsh of Fort Lauderdale and Miami, Florida; Rothchild's of Kansas City, Missouri, and Oklahoma City, Oklahoma; and Joe Brand of Laredo, Texas.

New dealers and old (some Hart Schaffner & Marx accounts first joined us in the 1890's) receive extensive assistance from your Company in creating sales and advertising promotions. An eight-point Hart Schaffner & Marx retail program offers advertising, window display, direct-mail, publicity, selling and other information. Several hundred of our dealers conducted a special "HS&M Week" in the Fall during which time the stores devoted all or most of their window display space and extensive newspaper advertising to Hart Schaffner & Marx as "America's First Name in Men's Clothing".

Dealers welcome the Company's ad-

vertising ideas and materials and are earmarking more and more newspaper space for the promotion of their Hart Schaffner & Marx line. For example, newspaper advertising of Hart Schaffner & Marx clothes by independent dealers increased 53 per cent from 1963 to 1964. During the most recent season—Fall and Winter 1964—such advertising jumped 78 per cent.

Hart Schaffner & Marx' national advertising, which has been running without interruption since 1897, gives all dealers promotional help through advertisements—many in color—published in *Time*, *Newsweek*, *U. S. News & World Report*, *Sports Illustrated*, *The New Yorker* and *Esquire*.

Among the most successful advertisements in Hart Schaffner & Marx' history was one run in 1964 featuring Bob Hope wearing a Viracle suit. This promotion created such response that it led to a new celebrity series in the national advertising planned for the Spring/Summer 1965 season. Mr. Hope again

appears as do Rock Hudson, film star; Ken Venturi, the National Open golf champion and *Sports Illustrated's* Sportsman of the Year who is seen on the cover of this Report; Jim Bunning, the no-hit pitcher of the Philadelphia Phillies baseball team; Sam Snead, golf immortal; and Tony Trabert, professional tennis star.

Each of these celebrities was photographed wearing one of Hart Schaffner & Marx' three fashion-leadership "looks": *Racquet Club* natural shoulder clothing, the trim-styled Trend with its moderate yet modern approach to fashion; and the Advance Fashion Look of the *Monaco Collection*.

The Society Brand division continued to expand its line during the year through the addition of a number of new accounts including Woodward & Lothrop of Washington, D.C. Its Avante Collection, characterized by advanced international styling, has created special interest among dealers.

Society Brand is continuing its pro-





A bachelor friend recently invested in a Society Brand sport jacket.

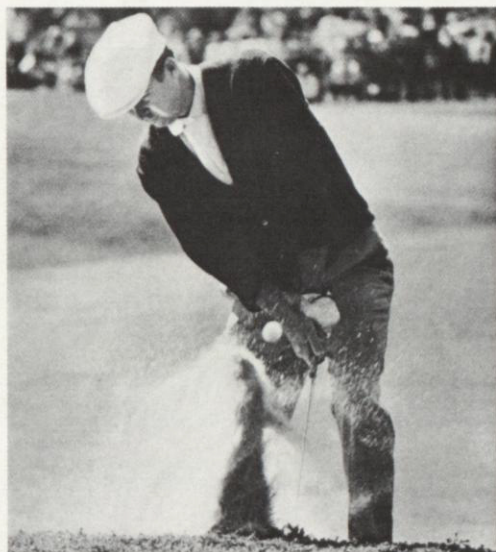
We tried to call him last week, to ask how he was enjoying it.

His number is now unlisted.

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*Left: Society Brand's humorous advertisements, such as this one from the new campaign, have been appearing in the Wall Street Journal since 1962.*

*Below: Two-page advertisements featuring celebrities in Hart Schaffner & Marx clothing will run in national magazines during the Spring and Summer 1965 season.*



Ken Venturi demonstrates HART SCHAFFNER & MARX-manship

Let's face it, Ken Venturi looks good on the golf course or off. He has a winning touch, a winning smile and a champion's choice in clothes. In this case, the 1965 model Primavera suit by Hart Schaffner & Marx.

He just wears the mark of the world's best.



He shows his style in the 1965 pure wool Primavera suit

pure wool. In a just-right weight for wear ten months of the year. The comfort is gone in its last, too. By tailors who, like Ken, are "pros." For instance: Rip a lapel forward and see how it stays back. Like Ken. Shows that way because of new

open row of interlocking stitching inside. Then, the look you buy is the look you keep. Hart Schaffner & Marx-manship is the art of looking great at important moments. And you don't have to win the National Open to practice it!

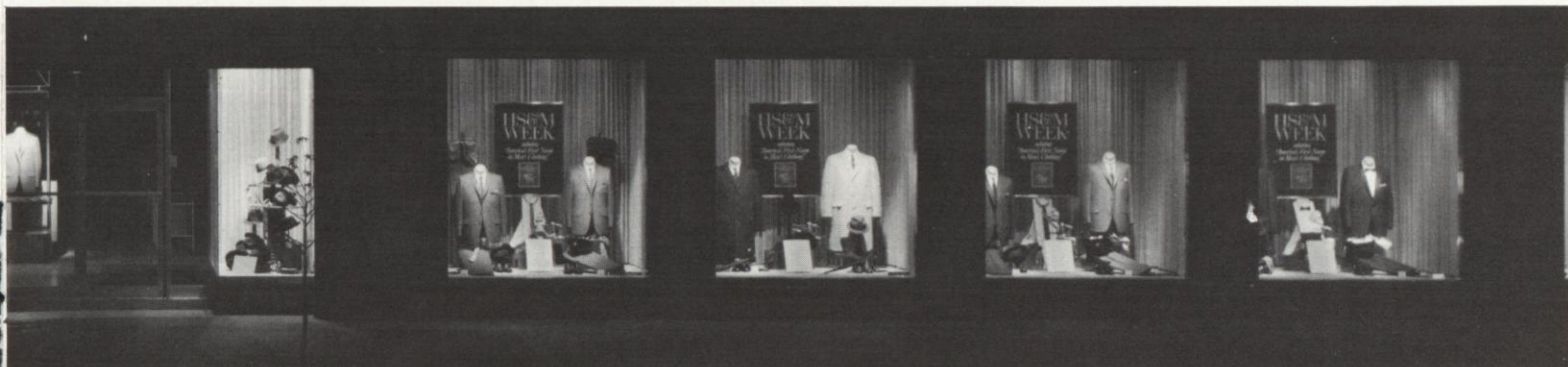
The mark of the world's best...



vocative, talked-about campaign of humorous, all-text advertisements that have been running in the *Wall Street Journal* since 1962. The advertisements, which appear twice weekly, have been acclaimed not only by Society Brand's dealers and consumers but by the trade press as well.

In addition, Society Brand also creates comprehensive advertising and promotion programs for its dealers. Newspaper space devoted to Society Brand advertising increased 36 per cent in 1964 over the previous year.

Another realm in which your Company strives to aid its dealers is to offer new and successful retail ideas. For example, Hart Schaffner & Marx and Society Brand dealers have been invited to share your Company's extensive retail experience at a Retail Forum in Chicago in February prior to a national clothing convention. Other retail forums and seminars have been held with great success over the past few years in other parts of the nation.



*Rothschild's of Kansas City, Missouri, was one of several hundred dealers who held an "HS&M Week" during the Fall 1964 season. Many stores, like Rothschild's, devoted all or most window displays and extensive newspaper advertising to the promotion. Some of the 19 Rothschild window displays for the Week are shown above.*





The retail division of your Company opened five new shopping center stores and acquired eight new stores since the last Annual Report was published, bringing the total to 110 stores operated in 44 metropolitan centers.

Two new shopping center stores were opened by Silverwoods of Los Angeles, one in Topanga Plaza and another in Century City. Other shopping center stores were opened by Baskin of Chicago in Lincoln Square, Urbana, Illinois; Walkers of Columbus, Ohio, in Northland Center; and Merritt Schaefer & Brown of Austin, Texas, in Hancock Center.

During 1964 Hart Schaffner & Marx purchased the three Wolf Brothers stores with headquarters in Tampa, Florida; Levy's, Jacksonville, Florida; and W. E. Fife Co., Salt Lake City, Utah. As a part of the Hickey-Freeman affiliation your Company also acquired Capper & Capper, Ltd., in Chicago and Detroit and F. R. Tripler & Co., Inc., of New York.

Plans already have been made for the continued expansion and development of the retail division. Eight new units are currently under lease: two by Klopfenstein's, one in Tacoma Mall, Tacoma, Washington, and one in Northgate Center, Seattle, Washington; two by Hastings of San Francisco, one in Southland Center and another in North-

gate Center; two by Zachry of Atlanta, one in North De Kalb Center and another in Greenbriar Center; one by Lang's of Akron, Ohio, in Summit Mall; and one by Jas. K. Wilson of Dallas, in North Park Center.

The Company also initiates modernization programs in various stores as required. Two of the major remodelings completed during 1964 included the first and third floors and the women's department of Baskin's State Street store in Chicago and the downtown Walkers' store in Columbus.

The retail stores, as well as a number of independent dealers, featured a special 1964 Christmas merchandise catalog conceived and produced by Hart Schaffner & Marx. One and one half million copies of the 25-page brochure were distributed in 60 markets. The cover of the catalog featuring "Home for the Holidays," an original painting commissioned by Hart Schaffner & Marx, is reproduced on Page 10.

The chief executive officer at each subsidiary store has wide authority to operate in a manner which best fits the needs and opportunities of the local community. He is in complete charge of merchandising based on his knowledge of the consumer preferences in the local area. The stores retain the fine local names used prior to acquisition by your Company.



A.



B.

A. MERRITT SCHAEFER & BROWN  
Hancock Center, Austin, Texas

B. WOLF BROTHERS  
Tampa, Florida

C. SILVERWOODS, Topanga Plaza,  
Los Angeles, California—  
women's department

D. SILVERWOODS, Century City,  
Los Angeles, California





C.



D.





Hart Schaffner & Marx retail stores contribute substantially to the Company's sales and earnings. For the fiscal year ended November 30, retail store volume, including leased sales and the three Hickey-Freeman stores, was more than \$100 million. Profits of the retail store division again climbed during 1964. And the division began the new fiscal year by reporting record-breaking December sales.

In addition to being highly profitable, the retail stores contribute to the development of our independent dealer business. They formulate many retail techniques and systems which are shared, as a matter of policy, with our independent dealers.

A map showing the location of the Hart Schaffner & Marx and Hickey-Freeman subsidiary stores, as well as a list of the stores and their executive officers is on Page 20 of this report.

*Top photograph: WALKERS  
Northland Center, Columbus, Ohio*

*Center: HANNY'S Thomas Mall  
Shopping Center, Phoenix, Arizona*

*Below: Christmas merchandise catalog  
produced by Hart Schaffner & Marx.*





Walter B. D. Hickey, Sr. (right), president, and Albert I. Freeman, senior vice-president of the Hickey-Freeman Co., Inc., of Rochester, New York.



In 1899 when the Hickey-Freeman Co. started business, annual volume was \$93,675. The Rochester, New York, company, which became affiliated with Hart Schaffner & Marx during 1964, today has annual sales of more than \$20 million.

From its earliest days, the company has made uncompromising quality its goal. During World War I—when some manufacturers compromised workmanship and materials—the company imprinted prominently in its offices and factories the slogan “Keep the Quality Up.” And those exhortations remain today. So does the constant striving for better quality.

The firm was born when three men pooled \$25,000—their life savings—to open the business in a rented store and two lofts. The principals were Jeremiah G. Hickey (father of today’s president, Walter B. D. Hickey, Sr.), Jacob L. Freeman (uncle of Albert I. Freeman, who is now senior vice president), and George A. Brayer (father of George W. Brayer, currently vice president of sales). Fewer than a dozen employees were hired, and tailoring work was done by contract shops.

In 1912, the company erected its own building at the present location. This permitted the gathering of all workers under one roof, and made outside contract work unnecessary. The company knew it could control quality more rigidly by having all employees and all craftsmanship under its direct supervision.

Additional buildings were constructed on the same site in 1919, 1929 and most recently in 1956 when an air-conditioned stock room and shipping facilities were built.

Hickey-Freeman’s Customized Clothes—a term on which it holds a trademark—are the result of extensive handwork and lavish attention to detail. Quality control calls for one supervisor for every 20 craftsmen.

The firm prides itself especially on the contoured shaping it achieves in the collar, shoulder and sleeve areas, explaining that it “teaches cloth to turn corners.”

Hickey-Freeman currently employs more than 1,700 persons in Rochester and in four branch needlecraft shops located in Buffalo, East Rochester, Hornell and Le Roy. Its New York office is located in the Sperry Rand Building at 1290 Avenue of the Americas.

Hickey-Freeman styles *American Natural* and *Trans-American* models, which offer restrained, modern styling; the *American Cosmopolitan* and *American Contemporary* models, each shaped with continental touches; the *American Ambassador*, incorporating the subtly bold features of the California influence; and the *American Traditional*, for men who prefer natural shoulder styling. These clothes are sold under both the Hickey-Freeman label and the Walter-Morton label.

Hickey-Freeman advertises its products on a local level sharing in dealers’ advertising costs.

The price range of Hickey-Freeman suits (\$155 to \$250) begins at approximately the point where Hart Schaffner & Marx suits end (\$80 to \$150), thus making the lines complementary to one





*Top photograph: Main floor of Copper & Copper, Ltd., of Chicago.  
Below: Administrative offices and main factory of Hickey-Freeman Co., Inc.*

another—even in the same store. In fact, some of Hart Schaffner & Marx' own stores have offered the Hickey-Freeman line for a number of years.

Hickey-Freeman dealers are fine men's specialty stores and high-quality department stores. In addition, Hickey-Freeman owns three men's specialty stores—Capper & Capper, Ltd., of Chicago and Detroit, which it acquired in 1931, and F. R. Tripler & Co., Inc., of New York, which it purchased in 1953.

The Hickey-Freeman Co. will continue to operate autonomously under the presidency of Mr. Hickey. Its distribution policies will remain the same and any changes in these policies will be determined by Hickey-Freeman management. The quality of the product will be unchanged, and manufacturing facilities will stay in Rochester, New York.





## Earnings

Consolidated earnings in 1964, including the Hickey-Freeman Co. on a pooling-of-interests basis, were \$5,255,000, the highest in our history. Results for 1963 which have been restated to reflect the earnings of Hickey-Freeman Co. in that year were \$3,916,000. This is a 34 per cent increase in adjusted consolidated earnings for 1964 over 1963. On a per-share basis, earnings were \$3.89 based on 1,349,767 shares outstanding at November 30, 1964, as compared to \$2.99 based on 1,308,449 shares outstanding on November 30, 1963, after adjustment for the Hickey-Freeman acquisition. All divisions of the Company contributed to the record earnings.

## Sales

Consolidated sales reached another new record high of \$143,621,000—an increase of \$17,598,000 or 14 per cent from the record level set in 1963. The consolidated sales figures include the Hickey-Freeman Co. in both years. Sales increased substantially in all divisions with particularly outstanding gains in the retail store division. Consolidated sales do not include leased department sales or sales by the two manufacturing divisions to the retail store division.

## Dividends and Stock

Quarterly dividends of 40 cents per share or a total of \$1.60 per share were paid in 1964 or a total of \$1,852,000. In addition, the Hickey-Freeman Co., prior to its acquisition, paid dividends to its

stockholders totaling \$136,000. On a combined basis, the total dividends paid were \$1,988,000 or 38 per cent of earnings. At the December 17, 1964, board meeting, the directors voted to submit for shareholder approval at the annual meeting a two-for-one split of the Company's stock and an increase in the authorized shares from 2 million to 7½ million shares. If the shareholders vote favorably on this proposal, par value of each share of common stock will be reduced from \$5.00 to \$2.50. The directors indicated that after shareholder approval of the split, it is their intention to increase the quarterly dividend rate by 12½ per cent to 22½ cents per share

or 90 cents on an annual basis. This proposed rate is equivalent to an annual rate of \$1.80 per share on the present stock.

## Hickey-Freeman Acquisition

On June 25, 1964, the Board of Directors approved a merger with Hickey-Freeman Co. on a pooling-of-interests basis. Hart Schaffner & Marx issued 170,000 shares of its common stock in connection with the merger and assumed certain liabilities of Hickey-Freeman. The consolidated results for the year 1964 include net income of Hickey-Freeman and its subsidiaries of approximately \$800,000 and net sales in excess of \$20,000,000.

## Working Capital

Working capital increased during the year from \$48,505,000 to \$51,510,000. The following schedule summarizes the changes which occurred in our working capital position:

### Funds came from:

Earnings for the year .....	\$5,255,000
Depreciation, a non-cash expense .....	1,856,000
Proceeds of stock options exercised .....	632,000
Other .....	166,000
Total .....	<u>\$7,909,000</u>

### And were used for:

Payment of dividends .....	\$1,988,000
Reduction of long-term debt—net .....	532,000
Property additions .....	2,384,000
Total .....	<u>\$4,904,000</u>
Increase in working capital .....	<u>\$3,005,000</u>



**Consolidated Balance Sheet****ASSETS**

	<u>November 30,</u>	
	<u>1964</u>	<u>1963</u>
CURRENT ASSETS:		
Cash and government securities.....	\$ 3,748,444	\$ 1,751,183
Accounts receivable, less allowance for doubtful accounts—\$1,463,094 and \$1,365,701, respectively.....	23,340,371	21,824,676
Inventories, at lower of cost or market.....	42,704,706	39,850,735
Prepaid expenses.....	648,270	711,295
Total current assets.....	<u>70,441,791</u>	<u>64,137,889</u>
 CASH VALUE OF LIFE INSURANCE AND OTHER INVESTMENTS.....	 <u>596,968</u>	 <u>476,347</u>
 PROPERTIES, at cost:		
Land.....	437,415	437,915
Buildings and equipment.....	20,343,471	19,048,373
Leasehold improvements.....	<u>13,226,425</u>	<u>12,751,486</u>
	34,007,311	32,237,774
 Accumulated depreciation and amortization.....	 <u>21,693,177</u>	 <u>20,237,028</u>
	<u>12,314,134</u>	<u>12,000,746</u>
	<u>\$83,352,893</u>	<u>\$76,614,982</u>

*(See accompanying notes to financial statements)*



# **LIABILITIES**

	November 30,	
	1964	1963
<b>CURRENT LIABILITIES:</b>		
Notes payable . . . . .	\$ 125,000	\$ 150,000
Current maturities of long-term debt . . . . .	864,888	801,552
Accounts payable . . . . .	9,834,384	8,702,062
Accrued expenses . . . . .	4,934,384	3,381,089
Federal and state income taxes . . . . .	3,172,792	2,598,589
Total current liabilities . . . . .	<u>18,931,448</u>	<u>15,633,292</u>
<b>LONG-TERM DEBT, less current maturities:</b>		
4 $\frac{7}{8}$ % note payable \$600,000 annually to 1983 . . . . .	10,800,000	11,400,000
Other debt, extending to 1978 . . . . .	<u>1,979,713</u>	<u>1,911,609</u>
	<u>12,779,713</u>	<u>13,311,609</u>
<b>MINORITY STOCKHOLDERS' INTEREST . . .</b>	<u>171,612</u>	<u>503,236</u>
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock—\$5 par value, 2,000,000 shares authorized, 1,367,438 and 1,350,504 shares issued, respectively (before giving effect to stock split described in the notes) . . . . .	6,837,190	6,752,520
Capital surplus . . . . .	4,599,620	3,995,183
Retained earnings . . . . .	<u>40,265,464</u>	<u>36,999,025</u>
	51,702,274	47,746,728
Treasury stock, at cost—17,671 and 42,055 shares, respectively . . . . .	232,154	579,883
	<u>51,470,120</u>	<u>47,166,845</u>
	<u>\$83,352,893</u>	<u>\$76,614,982</u>



**Consolidated Statement of Income**

	Fiscal years ended November 30,	
	1964	1963
Net sales.....	\$143,621,098	\$126,022,820
Other income.....	747,413	564,087
	<u>144,368,511</u>	<u>126,586,907</u>
Cost of goods sold.....	89,496,079	79,712,511
Selling, administrative and occupancy expense.....	41,732,840	36,218,179
Depreciation and amortization.....	1,855,540	1,895,404
Interest.....	768,067	671,424
	<u>133,852,526</u>	<u>118,497,518</u>
Income before taxes.....	10,515,985	8,089,389
Taxes on income.....	5,261,471	4,173,622
Net income for the year.....	<u>\$ 5,254,514</u>	<u>\$ 3,915,767</u>

**Consolidated Statement  
of Retained Earnings**

Retained earnings at beginning of year.....	\$ 36,999,025	\$ 35,947,996
Net income for the year.....	<u>5,254,514</u>	<u>3,915,767</u>
	<u>42,253,539</u>	<u>39,863,763</u>
<u>Deduct:</u>		
Cash dividends, \$1.60 and \$1.40 per share, respectively.....	1,851,622	1,589,062
Dividends paid by Hickey-Freeman Co. prior to acquisition.....	136,453	101,241
Par value of shares issued in five-for-four stock split		1,174,435
	<u>1,988,075</u>	<u>2,864,738</u>
Retained earnings at end of year.....	<u>\$ 40,265,464</u>	<u>\$ 36,999,025</u>

(See accompanying notes to financial statements)



## Notes to financial statements

### ACQUISITION OF HICKEY-FREEMAN CO.:

The company has acquired the assets, subject to the liabilities, of Hickey-Freeman Co. in exchange for 170,000 shares of common stock. The transaction was accounted for as a "pooling of interests" and accordingly the accounts of Hickey-Freeman Co. and its subsidiaries have been included in the accompanying financial statements for 1963 and 1964.

### STOCK SPLIT:

On December 17, 1964 the board of directors proposed an increase in the number of authorized shares to 7,500,000 of \$2.50 par value per share and a two for one stock split, to be voted on at the annual meeting of stockholders on March 22, 1965. If the proposal is approved, the additional shares will be distributed on April 15, 1965 to stockholders of record March 25, 1965.

### CAPITAL SURPLUS:

Changes in capital surplus include credits representing (1) the excess of proceeds from the sale of stock under stock option plans over the cost of treasury shares or the par value of the unissued shares sold (\$383,797) and, (2) the excess of market value over cost of treasury shares exchanged in the routine acquisition of a retail subsidiary (\$472,014); and a charge resulting from treasury stock transactions of Hickey-Freeman Co. (\$251,374).

### RESTRICTION ON RETAINED EARNINGS:

Under the terms of the agreement relating to the 4 $\frac{7}{8}$ % note payable, \$31,917,000 of retained earnings at November 30, 1964 was restricted as to the payment of cash dividends.

### LEASES:

At November 30, 1964 the company and its subsidiaries were parties to 136 separate noncancelable lease agreements primarily covering retail store properties. These leases, expiring within one to thirty-three years, require minimum annual rental payments of approximately \$3,700,000, and total minimum rentals payable over the remaining full term of the leases of approximately \$43,000,000. Certain of the leases provide for payment of taxes by the lessees and additional rental based upon a percentage of sales in excess of stipulated minimums. The total rentals paid, including those under short-term cancelable leases, were \$5,264,000 in 1964 and \$4,581,000 in 1963.

### STOCK OPTION PLANS:

Under the company's stock option plans 69,436 shares of unissued common stock were reserved at November 30, 1964 for options granted or to be granted to officers and key employees. The changes in the number of shares under option during the year were as follows:

	Fulfilled from treasury stock	To be fulfilled from unissued stock
Shares under option—November 30, 1963 .....	10,386	72,086
Options granted during the year .....		14,275
Options terminated during the year .....	(2)	(2,845)
Options exercised during the year .....	(10,384)	(16,934)
Shares under option—November 30, 1964 .....	—	66,582
Options exercisable—November 30, 1964 .....	—	18,445

All options were granted at the highest selling price of the stock on the New York Stock Exchange on the dates of the grants. Options were exercised during fiscal year 1964 at prices ranging from \$14.55 to \$36.00 per share, and the options outstanding at the close of the year ranged in price from \$22.90 to \$54.75 per share.

### TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF HART SCHAFFNER & MARX

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings present fairly the financial position of Hart Schaffner & Marx and its subsidiary companies at November 30, 1964 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

CHICAGO, JANUARY 21, 1965





## 15-Year Summary

### FINANCIAL POSITION

At Nov. 30	Working Capital	Properties Less Depreciation	Long Term Debt	Stockholders' Equity	
				Total	Per Share
1964	\$51,510,000	\$12,314,000	\$12,780,000	\$51,470,000	\$38.13
1963	48,505,000	12,001,000	13,312,000	47,167,000	36.05
1962	33,515,000	10,866,000	5,768,000	38,754,000	34.51
1961	32,067,000	10,484,000	5,830,000	36,963,000	33.21
1960	30,408,000	11,097,000	6,350,000	35,461,000	32.01
1959	29,780,000	10,719,000	6,869,000	33,924,000	31.33
1958	28,139,000	11,123,000	7,253,000	32,267,000	29.50
1957	24,826,000	11,932,000	6,260,000	31,141,000	28.46
1956	23,287,000	11,903,000	5,467,000	29,928,000	27.36
1955	22,981,000	11,233,000	6,224,000	28,130,000	25.71
1954	22,523,000	11,307,000	7,041,000	26,952,000	24.64
1953	20,006,000	11,336,000	5,207,000	26,280,000	24.02
1952	19,097,000	12,039,000	5,903,000	25,416,000	23.23
1951	18,480,000	11,902,000	6,139,000	24,387,000	22.30
1950	18,228,000	11,357,000	6,725,000	23,510,000	21.49



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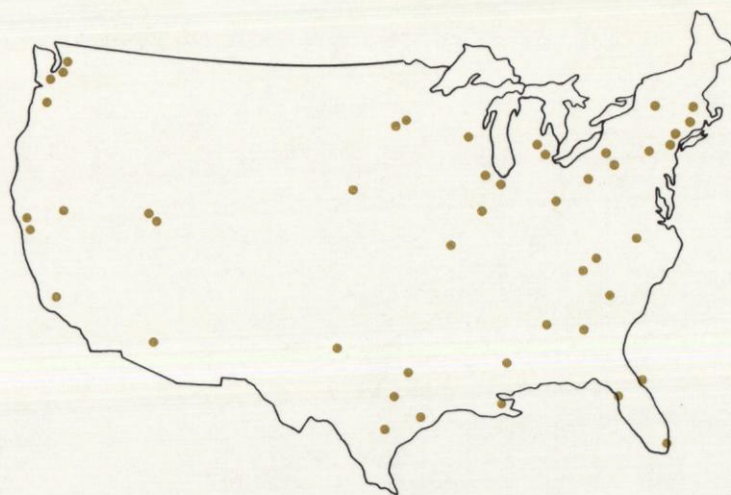
**SALES EARNINGS DIVIDENDS**

Year Ended Nov. 30	Net Sales	Income Before Taxes	Net Income	Earnings Per Share	Cash Dividends Per Share
1964	\$143,621,000	\$10,516,000	\$5,255,000	\$3.89	\$1.60
1963	126,023,000	8,089,000	3,916,000	2.99	1.40
1962	97,786,000	5,797,000	2,886,000	2.57	1.12
1961	90,737,000	4,613,000	2,509,000	2.26	.96
1960	89,905,000	4,986,000	2,288,000	2.06	.92
1959	83,142,000	5,261,000	2,811,000	2.60	.76
1958	76,149,000	3,202,000	1,827,000	1.67	.64
1957	80,812,000	3,397,000	1,895,000	1.74	.64
1956	79,532,000	4,314,000	2,458,000	2.25	.64
1955	74,771,000	3,797,000	1,736,000	1.59	.51
1954	66,576,000	2,689,000	1,229,000	1.13	.51
1953	68,867,000	3,042,000	1,425,000	1.30	.51
1952	62,263,000	1,860,000	1,035,000	.95	.51
1951	61,672,000	3,266,000	1,519,000	1.39	.51
1950	59,257,000	2,909,000	1,648,000	1.51	.70

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*Figures prior to 1963 have not been restated to reflect the acquisition of Hickey-Freeman Co. on a pooling-of-interests basis. All per-share statistics are based on stock outstanding at end of each year adjusted to reflect a 5-for-4 stock split on April 3, 1956, a 2-for-1 split on March 31, 1960, and a 5-for-4 split on February 8, 1963.*





## 110 retail stores and their executive officers

### Hart Schaffner & Marx

- BASKIN (7)—Chicago, Ill.  
*Robert J. Witt*
- BASKIN (2)—Champaign-Urbana, Ill.  
*L. C. Martin*
- BLACKBURN'S (2)—Amarillo, Tex.  
*Clarence P. Sigmon*
- FANNIN'S (2)—Montgomery, Ala.  
*Thomas H. Nelson*
- W. E. FIFE CO.—Salt Lake City, Utah  
*Douglas A. Gill*
- JACK FOX & SONS—Hammond, Ind.  
*Clarence L. Fox, Roland F. Fox  
and Robert F. Orr*
- ARTHUR FRANK (2)—Salt Lake City, Utah  
*Simon Frank and Russell G. Bartow*
- FRANK BROS.—San Antonio, Tex.  
*Stanley Frank, Sr., and Donald A. Miller*
- HAGSTRUM'S—St. Paul, Minn.  
*H. Vincent Hagstrum*
- HANNY'S (6)—Phoenix, Ariz.  
*Ben Projan*
- HASTINGS (8)—San Francisco-Sacramento, Calif.  
*George W. Clarke*
- HAYNES—Springfield, Mass.  
*Eric W. Danielson*
- HORSFALLS—Hartford, Conn.  
*James T. Foley*
- J. O. JONES—Charlotte, N. C.  
*William W. Watts*
- KLOPFENSTEIN'S (3)—Seattle-Tacoma &  
LESLIE-HUGHES—Seattle, Washington  
*Hugh C. Klopfenstein*

- LANG'S—Akron, Ohio  
*Frank M. Mark*
- LEOPOLD PRICE & ROLLE (2)—Houston, Tex.  
*Joyce Lehman*
- LEVY'S—Jacksonville, Fla.  
*Ralph Tyler*
- LIEMANDT'S—Minneapolis, Minn.  
*John A. Liemandt*
- HEYWARD MAHON—Greenville, S. C.  
*Bernard M. Lipscomb*
- THE MAN STORE—Asheville, N. C.  
*Stan L. Smolen*
- McLEOD WATSON & LANIER—Raleigh, N. C.  
*G. Louis Schanze*
- MERRITT SCHAEFER & BROWN (2)—Austin, Tex.  
*S. H. Ashford*
- MOORES (4)—San Francisco, Calif.  
*Robert W. Israel*
- OLSON & VEERHUSEN—Madison, Wis.  
*Robert L. Whitson*
- DICK RICHMOND (2)—Miami, Fla.  
*William Handelman*
- ROSENBLATTS (2)—Portland, Ore.  
*T. Jackson Aycock*
- SCHRIEBER'S—Scranton, Pa.  
*Harold Barnett*
- SILVERWOODS (11)—Los Angeles, Calif.  
*Stephen C. Bilheimer*
- SMALL'S—Lansing, Mich.  
*George J. Clark*
- STEVENS—Jackson, Miss.  
*William L. Featherstone*

- STEVENS (2)—New Orleans, La.  
*Leonard R. Porter*
- C. N. VICARY CO.—Canton, Ohio  
*Harold H. Krider*
- WALKERS (3)—Columbus, Ohio  
*Paul F. Cockrell*
- WALKERS (2)—Dayton-Canton, Ohio  
*Glen L. Waltrip*
- WALLACHS (15)—New York, N. Y. and New Jersey  
*G. L. Ridenour*
- WEATHERWAX—Sioux City, Iowa  
*Carrol N. Smith*
- WICKS & GREENMAN—Utica, N. Y.  
*James G. Capps and Arthur R. Scoones*
- JAS. K. WILSON (3)—Dallas, Tex.  
*James K. Wilson, Sr.,  
and Alex J. Cochrane*
- WOLF BROTHERS (3)—Tampa, Fla.  
*Harold F. Wolf, Sr., Fred L. Wolf  
and Harold F. Wolf, Jr.*
- WOLFF'S—St. Louis, Mo.  
*Paul D. Hagstrum*
- ZACHRY (2)—Atlanta, Ga.  
*A. L. Zachry and John H. Brown*

### Hickey-Freeman Co., Inc.

- CAPPER & CAPPER, LTD. (2)—Chicago and Detroit  
*Earl Graham*
- F. R. TRIPLER & CO., INC.—New York  
*S. S. Daily*

## Ten factories

### Hart Schaffner & Marx

CHICAGO, ILL. (3)  
JOLIET, ILL.  
ROCHESTER, IND.

### Hickey-Freeman Co., Inc.

ROCHESTER, N. Y.  
BUFFALO, N. Y.  
EAST ROCHESTER, N. Y.  
HORNELL, N. Y.  
LE ROY, N. Y.

*Number of store and factory locations indicated in parentheses.*



**Hart Schaffner & Marx  
Board of Directors**

Eugene Bashore  
Albert I. Freeman  
Jerome S. Gore  
John D. Gray  
Walter M. Heymann  
Walter B. D. Hickey, Sr.  
Roger Hull  
Joseph Halle Schaffner  
Elmer Schlesinger, Jr.  
Clay E. Steele  
Harry L. Wells

**Officers**

John D. Gray, *President*  
Mario Ciucci, *Vice-President*  
Joseph Curi, *Vice-President*  
Harold R. Ellman, *Vice-President*  
Hugh H. Gallarneau, *Vice-President*  
Jerome S. Gore, *Vice-President*  
Bernard A. Rittersporn, *Vice-President*  
William W. Rowlette, *Vice-President*  
James K. Wilson, Jr., *Vice-President*  
Richard W. Garbe, *Secretary and Treasurer*  
John R. Meinert, *Comptroller*  
William E. Haines, *Assistant to the President*  
Leonard G. Johnson, *2nd Vice-President*  
L. Neville Rieman, *2nd Vice-President*  
Max A. Hart, *Assistant Secretary*  
Mark J. Lies, *Assistant Comptroller*

**Society Brand, Inc.**

Jan Ross, *President*

**Hickey-Freeman Co., Inc.  
Board of Directors**

George W. Brayer  
Paul S. Brescia  
Frank P. Feerick  
Albert I. Freeman  
John D. Gray  
Thomas F. G. Hickey  
Walter B. D. Hickey, Sr.  
Walter B. D. Hickey, Jr.  
James A. Logie  
Adrian W. Smith  
Herbert A. Wolff

**Officers**

Walter B. D. Hickey, Sr., *President*  
Albert I. Freeman, *Senior Vice-President*  
George W. Brayer, *Vice-President*  
Paul S. Brescia, *Vice-President*  
Thomas F. G. Hickey, *Vice-President*  
James A. Logie, *Vice-President*  
Frank P. Feerick, *Secretary*  
Anthony N. Masucci, *Treasurer*  
Richard W. Garbe, *Assistant Secretary-Treasurer*

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**Hart Schaffner & Marx and Society Brand offices:**

36 South Franklin Street  
Chicago, Illinois 60606

Sperry Rand Building  
1290 Avenue of the Americas  
New York, New York 10019

**Hickey-Freeman offices:**

1155 Clinton Avenue North  
Rochester, New York 14601

Sperry Rand Building  
1290 Avenue of the Americas  
New York, New York 10019

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**Transfer Agents:**

The First National Bank  
of Chicago  
Chicago, Illinois 60690

Bankers Trust Company  
New York, New York 10015

**Registrars of Stock:**

Continental Illinois National Bank  
and Trust Company of Chicago  
Chicago, Illinois 60690

Chemical Bank New York Trust Company  
New York, New York 10015





**HART SCHAFFNER & MARX**

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**SOCIETY BRAND CLOTHES**

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**HICKEY-FREEMAN**

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**WALTER-MORTON**

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